

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking to Review,
Revise, and Consider Alternatives to the Power
Charge Indifference Adjustment.

R.17-06-026

**COMMENTS OF THE COALITION OF CALIFORNIA UTILITY EMPLOYEES ON
PCIA PHASE 2 – WORKING GROUP ONE WORKSHOP #2**

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I. INTRODUCTION

The Coalition of California Utility Employees (CUE) appreciates the opportunity to provide comments on the March 26, 2019 PCIA Phase 2 Working Group One: Benchmark True-Up and Other Benchmarking Issues Workshop #2. CUE also appreciates the responses by Working Group One to comments made on Workshop #1 in Workshop #2. CUE has comments on several issues discussed in Workshop #2. CUE's comments follow the format for focus questions provided by Working Group One.

II. PROCEDURAL

1. What are your thoughts on number of workshops (3) and proposed schedule to address items Scoping Memo issues 8-12?

The number and timing of workshops to address Scoping Memo issues 8-12 is reasonable.

III. NUMBER AND TYPE OF MPBs

- 2. For aggregating Local RA, what is the appropriate number of transactions, and/or LSEs that should be represented before aggregating the resulting MPB to preserve confidentiality and/or market power?**

CUE does not have comments on this issue at this time but reserves the right to comment in the future. The answer to this question may depend on the resolution of question 6, whether to include local resources transacted for System RA in the Local RA MPB.

IV. Data Inputs to RA and RPS Adders

- 3. Please provide comments on proposal to account for multi-year procurement of Local RA in the MPB.**

CUE understands the proposal to use n-1 year results for 2020, n-2 results for 2021, and n-2 and n-3 results after that. Based on this understanding, CUE finds the proposal to be reasonable.

- 4. Should contract extensions/amendments be used to calculate the MPB. If so, please define a framework for which transaction should be included.**

The answer to this question depends on the nature of the contract extension or amendment. In the case of a contract extension, if the previous years of the contract were used to calculate the MPB, then the contract extension (if exercised) should be included in the MPB. For example, consider a contract that, for the first two years, contracted for 12 months of 100 MW of RA capacity at \$1.00/kW-month. For the third year, the buyer has the choice (the option) to extend the contract for a third year at a price pre-set in the contract, or the buyer can choose not to extend. If the first two years are included in the MPB and the option to extend is exercised, then it is reasonable to include the third year because the buyer has an option to extend or not embedded in the contract. The prices for the first two years will include a premium to account for the buyer's option to extend, while the extension price might be lower than prevailing market

prices. Therefore, it is unreasonable to include the first two years in the MPB with higher than market prices, but then exclude the exercised extension.

Alternatively, CUE proposes to exclude those contracts with extension/option provisions when calculating the MPB.

5. Should CPM backstop procurement from the CAISO be included in calculation of the RA Adder? Why or why not?

CPM backstop procurement from the CAISO should not be included in the calculation of the RA Adder. These transactions are out-of-market transactions, not market-based purchases. D.18-10-019 clearly excludes the use of CPM in the calculation of the RA Adder. CUE agrees with CLECA that “the working group process should not be subverted into re-litigation of issues already decided by the Commission.”

6. Should local resources transacted for System RA needs be included in the Local RA MPB?

Use of local resources transacted for System RA needs in the Local RA MPB may help address the confidentiality and market power concerns referenced in question 2. Moreover, including these local resources could better reflect market conditions for Local RA.

7. Acknowledging the challenges of doing so, should the co-leads continue to work at developing a methodology to include fixed-price PPAs in the RPS MPB?

CUE supports continued work to develop a methodology to include fixed-price PPAs in the RPS MPB. After all, the overwhelming majority of all RPS purchases are through long-term contracts. Excluding them would misrepresent the market. CUE recognizes that there are technical challenges that may make including fixed price PPAs difficult but thinks the issue should be explored in more detail. CUE agrees with TURN that PPAs involving mandatory procurement, such as forest biomass, should be excluded from the MPB.

V. UNSOLD RA

- 8. Please comment on the strawman proposal to forecast amounts / volumes of unsold RA in each IOUs ERRRA Forecast Proceeding by comparing to the previous year's unsold amount.**

Absent new information, CUE believes this approach is reasonable.

- 9. For capacity expected to remain unsold in the PCIA forecast, what is an appropriate de minimis value? If proposing a value other than zero, please explain the methodology for arriving at such value.**

For capacity expected to remain unsold in the PCIA forecast, the appropriate value is zero, the same as the value used for the true-up.

- 10. For capacity that remains unsold, what is an appropriate value to be used in the true-up? If proposing a value other than zero, please explain methodology for arriving at such value.**

For capacity that remains unsold, the appropriate value to use in the true-up is zero because the market value of such capacity is zero. If the IOUs have attempted to sell the capacity but found no buyers, then it has no value in the market. Some parties recommend placing conditions or requirements on what constitutes a legitimate attempt to sell capacity. Working Group One is not the appropriate forum to consider this issue. Rather, Working Group Three (portfolio optimization) is the appropriate forum to consider conditions for offers to sell capacity.

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Respectfully submitted,

_____/s/
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